



SUNNINGDALE OILS LIMITED

1975 ANNUAL REPORT





SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

CORPORATE INFORMATION

Officers:

Angus A. Mackenzie
Chairman
H. Stuart McColl
President
James S. Palmer
Secretary-Treasurer
Lawrence H. Payne
Vice President
Ernest M. Braithwaite
Vice President

Transfer Agent and Registrar:

The Canada Trust Company
Calgary — 239 - 8 Ave. S.W.
Toronto — 110 Yonge St.
Montreal — 800 Dorchester
Blvd. West

Auditors:

Thorne Riddell & Co.
14th Floor — Bow Valley
Square 2
Calgary, Alberta

Bankers:

The Toronto Dominion Bank
Calgary, Canada and
London, England
Den norske Creditbank
Oslo, Norway
National Bank of Dubai
Dubai
National Bank of Abu Dhabi
Abu Dhabi
First National City Bank
Dubai

Legal Counsel:

Burnet, Duckworth and Palmer
800 Royal Bank Building
Calgary, Alberta
Withers
20 Essex Street, Strand
London, W.C.2

Stock Listing

The Toronto Stock Exchange
Ticker Symbol — SDO
The Oslo Stock Exchange

Board of Directors:

*Angus A. Mackenzie
Chairman of the Board
London, England
H. Stuart McColl
President
Calgary, Canada
*James S. Palmer
Burnet, Duckworth and Palmer
Solicitors
Calgary, Canada

Michael P. Pick
Charterhouse Canada, Limited
Toronto, Canada

Thatcher L. Townsend
Wachovia International
Investment Corporation
Winston-Salem, North Carolina

Sir Kennedy T. Trevaskis,
K.C.M.G., O.B.E.
London, England

Christopher S. Tugendhat, M.P.
London, England

* Executive Committee Member

Corporate Headquarters

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Telex: 51-27506

P.O. Box 2604
Abu Dhabi, U.A.E.
Telephone: 44356
Telex: 893-2420

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Deira, Dubai, U.A.E.
Telephone: 26101
Telex: 892-5741

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COVER PHOTOGRAPH:

Night drilling at Sunningdale's East
Siphon Field in north-east British
Columbia, Canada.

HIGHLIGHTS

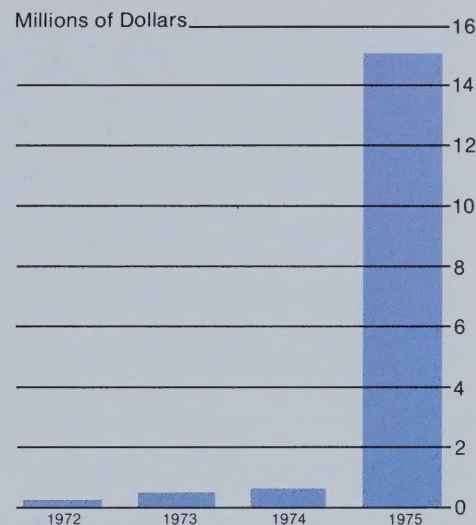
FINANCIAL

	1975	1974
Revenue	\$15,092,533	\$ 419,543
Per Share	\$3.72	\$.10
Net Earnings (Loss)	1,583,463	(\$ 1,772,711)
Per Share	\$.39	(\$.46)
Working Capital (Deficiency) at year end	(\$ 3,831,597)	\$ 3,853,456
Long Term Debt	Nil	Nil

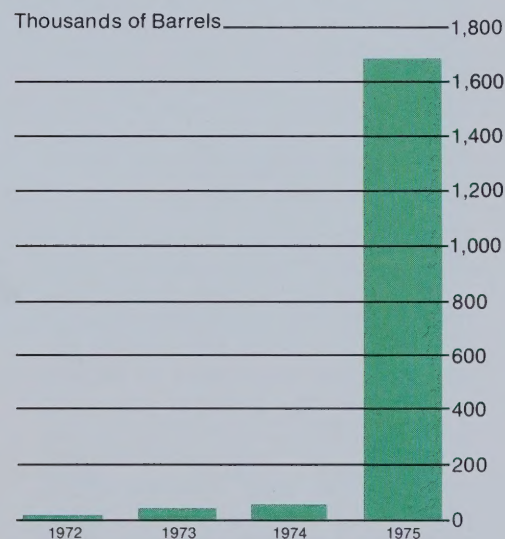
OPERATIONS

Oil production (barrels pre-royalty)	1,681,798	57,651
Daily average	4,608	158
Gas production (thousand cubic feet pre-royalty)	72,803	Nil
Daily average	199	Nil
Proven Reserves (Net before Royalty)		
Oil and condensate (barrels)	23,340,000	19,150,000
Gas (billion cubic feet)	81.6	60.7
Land Holdings — net acres	4,658,791	4,618,380

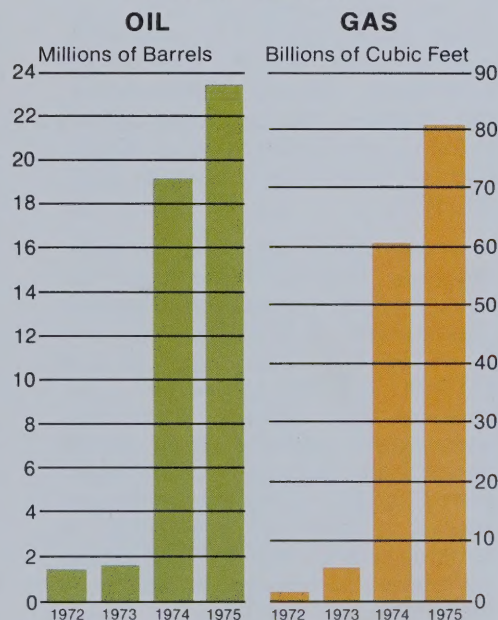
REVENUE



OIL PRODUCTION



PROVEN RESERVES





REPORT TO THE SHAREHOLDERS

The last year has been of great significance for the Company. Despite heavy exploration expenditure Sunningdale earned \$1,583,-463 (39 cents per share) compared with a loss of \$1,772,711 (46 cents per share) the previous year.

During the year Sunningdale concentrated on exploring, appraising and developing existing interests. Areas which have been shown to be unpromising have been relinquished to allow concentration of the Company's resources on its more prospective lands.

The development drilling of the Abu Al Bu Khoosh oilfield in Abu Dhabi was continued throughout the year. Production commenced July 21, 1974, at 13,500 barrels per day and had increased to 60,500 barrels per day at fiscal year-end, April 30, 1975. Currently the field is producing an average of 75,000 barrels per day. Development should be completed by December 1975. The field is projected to have returned its full development cost by the last quarter of 1975 after which Sunningdale will have substantial cash flow to finance its operations internally. Meanwhile, the Company has arranged a \$7.7 million line of credit of which \$902,-000 had been drawn down by April 30, 1975.

A wholly owned subsidiary of Sunningdale formally concluded an LPG Project Agreement with the Government of Dubai on February 8, 1975. The first phase of the project will be to gather and remove gas liquids from the associated gas presently being flared from two offshore oilfields. Sunningdale subsequently executed a letter of intent with a subsidiary of C. Itoh & Co. to jointly participate in the gas liquids project.

Offshore Norway, a successful appraisal well was completed in June 1975 on the Heimdal gas and condensate field. It confirmed reserves to be as forecast. The field has been declared commercial and is awaiting final development plans. Development could commence in August 1976 with first production in 1980.

Sunningdale's first well in the UK sector of the North Sea was drilled last winter on block 16/7. The well flowed on production test from seven separate intervals at cumulative rates of over 22,000 barrels of oil and 120 million cubic feet of gas per day. The discovery has been named the Brae field. While these results are very encouraging more drilling will be needed to determine the commercial significance of the field.

A third successful well has been drilled on the Arzanah structure on Block N, offshore Abu Dhabi. Development plans are being discussed with the Government of Abu Dhabi.

In British Columbia the East Siphon gas field was brought on stream and Sunningdale's share of production is currently 1.25 million cubic feet per day. This is Sunningdale's first natural gas production.

Extensive seismic surveys have shown that Company acreage in the Republic of the Maldives is promising although still to be tested by drilling. Sunningdale and its partners joined Mitsubishi Petroleum Development Co. in applying for a concession in the northern half of the Republic. The application was successful and Sunningdale now has 2.6 million net acres in two concessions covering 21 million gross acres. The first well is planned for early 1976.

Sunningdale has been a public company for four years. There have been three issues of stock, raising approximately \$10 million. With these funds the Company has established proven reserves of 23.34 million barrels of oil and condensate and 81.6 billion cubic feet of gas. Substantial probable and possible reserves have also been found and remain to be appraised. The Company has also acquired interests in 4.66 million net acres of prospective lands in Canada and eight countries overseas. Operating income is at a level which should make the Company self-financing except for major development programs; moreover there is now substantial borrowing capacity available from established assets.

The forthcoming year will see additional drilling on the Company's offshore U.K. acreage. In Dubai construction of plant and facilities is planned for the gas liquids project. The Abu Al Bu Khoosh field in Abu Dhabi will be at peak production and it is expected that development of the Arzanah field will begin. The first well will be drilled in the Maldives. In Canada additional gas production is anticipated on Company acreage. Finally, additional projects are being developed in the Middle East and we expect that at least one of these will be brought to an operational stage during the year.

Thank you for your support.

Respectfully submitted on behalf of
the Board of Directors.

H. S. McColl
President

A. A. Mackenzie
Chairman of the Board

August 1, 1975



**ACREAGE HOLDINGS
(April 30, 1975)**

Location	Area	Interest	Acreage		Key
			Gross	Net	
Canada	Alberta	Various	605,088	228,866	1
	British Columbia	Various	28,894	13,253	1
	Saskatchewan	25%	4,350	1,087	2
Offshore Canada	East Grand Banks	65%	484,750	315,088	3
	Hudson Strait	65%	30,676	19,939	4
Offshore Norway	Block 25/4	7.381%	129,727	9,575	5
Offshore U.K.	North Sea (16/3, 16/7)	5% plus 5% carried	110,453	11,045	6
	(16/2)	10%	52,879	5,288	6
	West Shetlands (206/14)	8.33%	50,408	4,199	7
	Celtic Sea (103/22)	8.33%	63,700	5,306	8
Offshore Netherlands	Block Q-14	13.5%	5,931	801	9
	Block P-4	9.89%	40,021	3,958	9
Offshore Tunisia	Kuriate	33.33%	185,822	61,934	10
	Hammamet Nord	37.5%	315,172	118,189	10
Mali	Graben De Gao	9.5%	4,015,537	381,476	11
Offshore Abu Dhabi	Abu Al Bu Khoosh	12.25%	26,997	3,307	12
	Block N	5% carried	583,786	29,189	12
	Areas 5 & 6	25%	696,540	174,135	12
Republic of the Maldives	Central Maldives	14.1075%	14,921,000	2,104,980	13
	Northern Maldives	7.8375%	5,952,000	466,488	13
Offshore Viet Nam	Block 21	16.25%	1,697,029	275,767	14
	Block 22	25%	1,699,685	424,921	14
TOTAL			<u>31,700,445</u>	<u>4,658,791</u>	



REVIEW OF OPERATIONS

EXPLORATION

Sunningdale was awarded a new concession covering six million gross (466,000 net) acres within the Republic of the Maldives. The Company and partners relinquished their interests in Fiji and in Sicily. Seismic surveys indicated that these areas did not merit further exploration. In Viet Nam, the Company's interests in two offshore concessions require clarification following the recent political changes. In Western Canada, 51,883 gross (11,985 net) acres of prospective lands were acquired. At April 30, 1975 Sunningdale had interests in 31,700,-445 gross (4,658,791 net) acres.

CANADA

Sunningdale reduced its program of land acquisition and exploration during the year and concentrated on developing reserves.

Land holdings were increased by 27,553 gross (525 net) acres in Alberta and by 24,330 gross (11,-460 net) acres in British Columbia. Acreage held offshore Eastern Canada was maintained. The Company now holds 1,153,758 gross (578,233 net) acres in Canada.

Sunningdale participated in 16 exploratory wells and 7 development wells. Exploratory drilling resulted in five gas wells in the area of Island Lake, Alberta, one gas discovery at Bushe River, Alberta and one oil discovery at Taber, Alberta. Development drilling resulted in three gas wells at East Siphon, British Columbia, one gas well at Siphon, British Columbia and one oil well at Steelman, Saskatchewan. Twelve of the twenty-three wells drilled were successful, giving a success ratio of 52%.

The three most important areas of Company activity last year were East Siphon, Island Lake and Calais. At East Siphon, Sunningdale discovered gas in January 1974 in the Bluesky formation. Three additional gas wells have been drilled with good production capability. A gathering system and treating facilities were installed and the field is currently producing in excess of five million cubic feet per day of sweet gas. Sunningdale's share of this production is 25%. A large drilling permit has been acquired offsetting the field and further drilling is planned this year.

Sunningdale and partners have been actively exploring the area of Island Lake over the last two years with favourable results. Gas has now been established in eight wells

on Company lands. Sunningdale's interest varies from 25% to 50%. Additional drilling is planned in the immediate future.

The Company holds a 50% interest in 13,403 acres at Calais, Alberta, immediately offsetting a producing gas field. Sunningdale and partners have negotiated to farm in to an additional 23,000 acres and started a four well drilling program in July 1975.

Sunningdale plans an increased exploration and development program in Canada this coming year. An agreement has been concluded with a German drilling fund whereby Sunningdale will manage an exploration program on behalf of the fund and on its own account in return for a 20% carried interest.



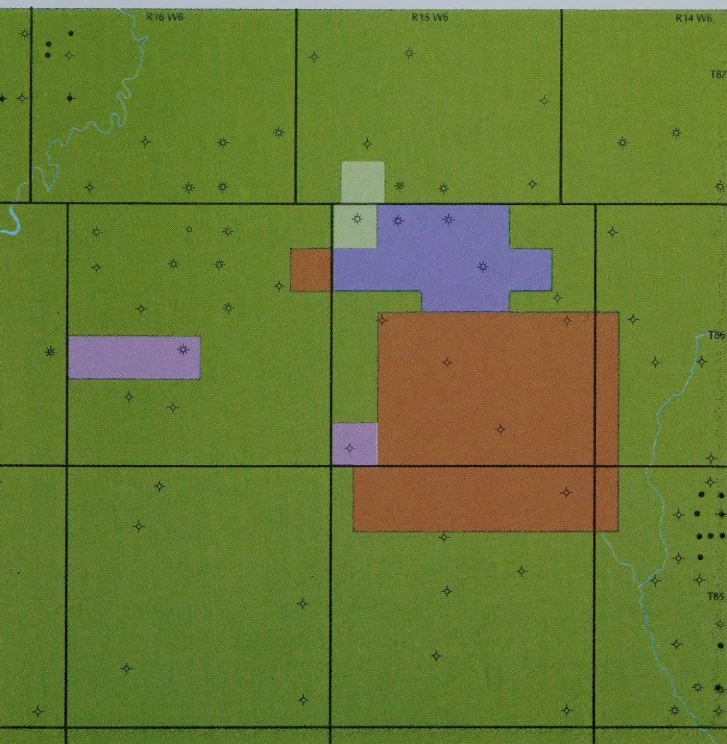


SUNNINGDALE INTEREST

- 75% Interest
- 50% Interest
- 45% Interest
- 33 1/3% Interest
- 25% Interest
- Gas Well
- Oil Well
- Abandoned Well



ISLAND LAKE AREA



EAST SIPHON AREA



CALAIS AREA

NORWAY

BLOCK 25/4

The Norwegian State Oil Company, Statoil, has exercised its option to a 40% working interest in the Heimdal field, thereby reducing Sunningdale's net interest to 3.875%. A successful Heimdal appraisal well completed in June 1975 has confirmed that proven recoverable reserves are in the order of 1.85 trillion cubic feet of dry gas and 22 million barrels of condensate. Sunningdale's share is 71.7 billion cubic feet of gas and 852,500 barrels of condensate. Markets for the gas in Great Britain and on the Continent are being appraised. Heimdal gas may fill surplus capacity in the pipeline being constructed by the Petronord Group from their Norwegian Frigg field, 22 miles north of Heimdal, to St. Fergus in Scotland. In addition, studies have been made of participation in pipelines shared with other producers. These studies indicate that development may start as early as mid 1976 with first production anticipated by the end of 1980, subject to the appropriate government approvals.

A separate structure 6.5 miles southwest of Heimdal was drilled in November 1974 which tested gas in non-commercial quantities and was abandoned as a dry hole. A detailed seismic survey postponed by bad weather from last year will be conducted this summer to evaluate other features on block 25/4.

UNITED KINGDOM

NORTH SEA

Sunningdale has a 10% interest in three blocks in the British sector of the North Sea, 16/2, 16/3 and 16/7. Half of the interest in blocks 16/3 and 16/7 is carried free of all costs until the discovery of petroleum in commercial quantities. The British

National Coal Board has the option to acquire 20% working interest in blocks 16/3 and 16/7. This would reduce Sunningdale's interest in the two blocks to 8%.

The first test on Sunningdale's UK North Sea acreage, 16/7-1, was spudded by the Odin Drill on September 17, 1974 in 335 feet of water and drilled to a depth of 15,695 feet. The well encountered a gross pay interval of 500 feet of continuous Upper Jurassic sandstone at a depth of approximately 12,000 feet. A detailed testing program was carried out. Seven selected intervals flowed at rates from 1,223 to 5,123 barrels of oil per day through restricted choke sizes of $\frac{3}{8}$ " to 1". Stabilized flow rates totalled in excess of 22,000 barrels of oil and 120 million cubic feet of gas per day and confirmed good reservoir flow characteristics. The oil gravity ranged from 35 degrees API with a gas oil ratio of 3,000 cubic feet per barrel in the lower part of the zone increasing to 46 degrees API with a gas oil ratio of 7,000 cubic feet per barrel in the upper part of the zone.

The discovery has been named the Brae field. The high flow rates en-

countered are very encouraging but assessment of reserves and therefore of the field's commercial value will be dependent upon one or more appraisal wells.

The Odin Drill, after drilling the successful Heimdal appraisal well, returned to UK waters and on July 9, 1975 spudded 16/7-2 on a Paleocene anomaly in block 16/7. The drilling of this well will fulfill the work obligations of Sunningdale and its partners on blocks 16/2, 16/3 and 16/7.

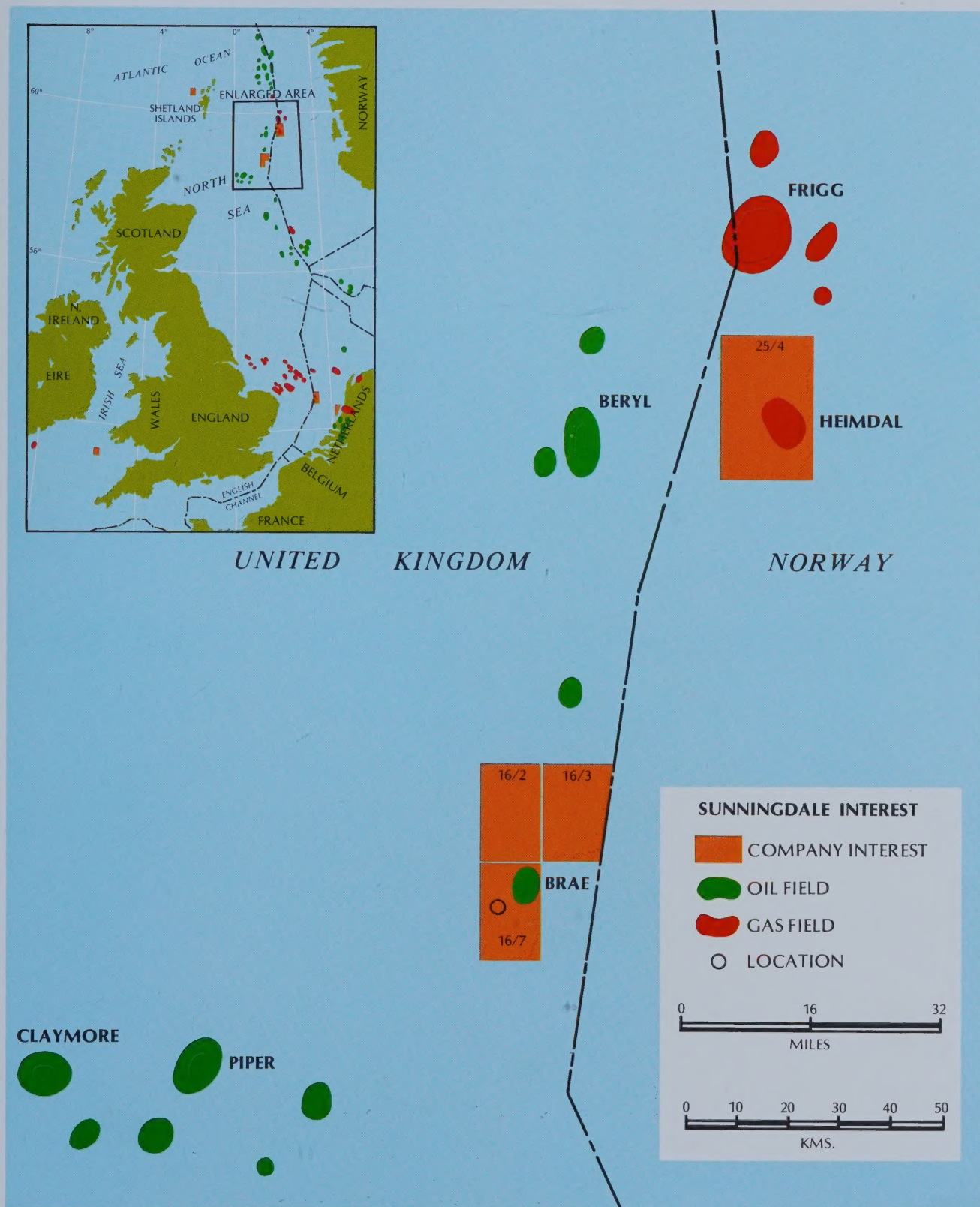
CELTIC SEA AND WEST OF SHETLANDS

Sunningdale has 8.33% interest in block 103/22 in the Celtic Sea, where a large structure will be drilled in the summer of 1976. Sunningdale and its partners have applied to relinquish block 206/14, west of the Shetlands since no drillable feature could be identified.

NETHERLANDS

The seismic data over block P/4 where Sunningdale has 9.89% interest have been reinterpreted and a promising anomaly has been identified at Base Zechstein level.





TUNISIA

The extensive seismic programs shot over the Kuriate and Hammamet Nord Permits did not confirm features which justified drilling. The Kuriate Permit has been relinquished and the Hammamet Nord Permit will be relinquished.

ABU DHABI

AREAS 5 & 6

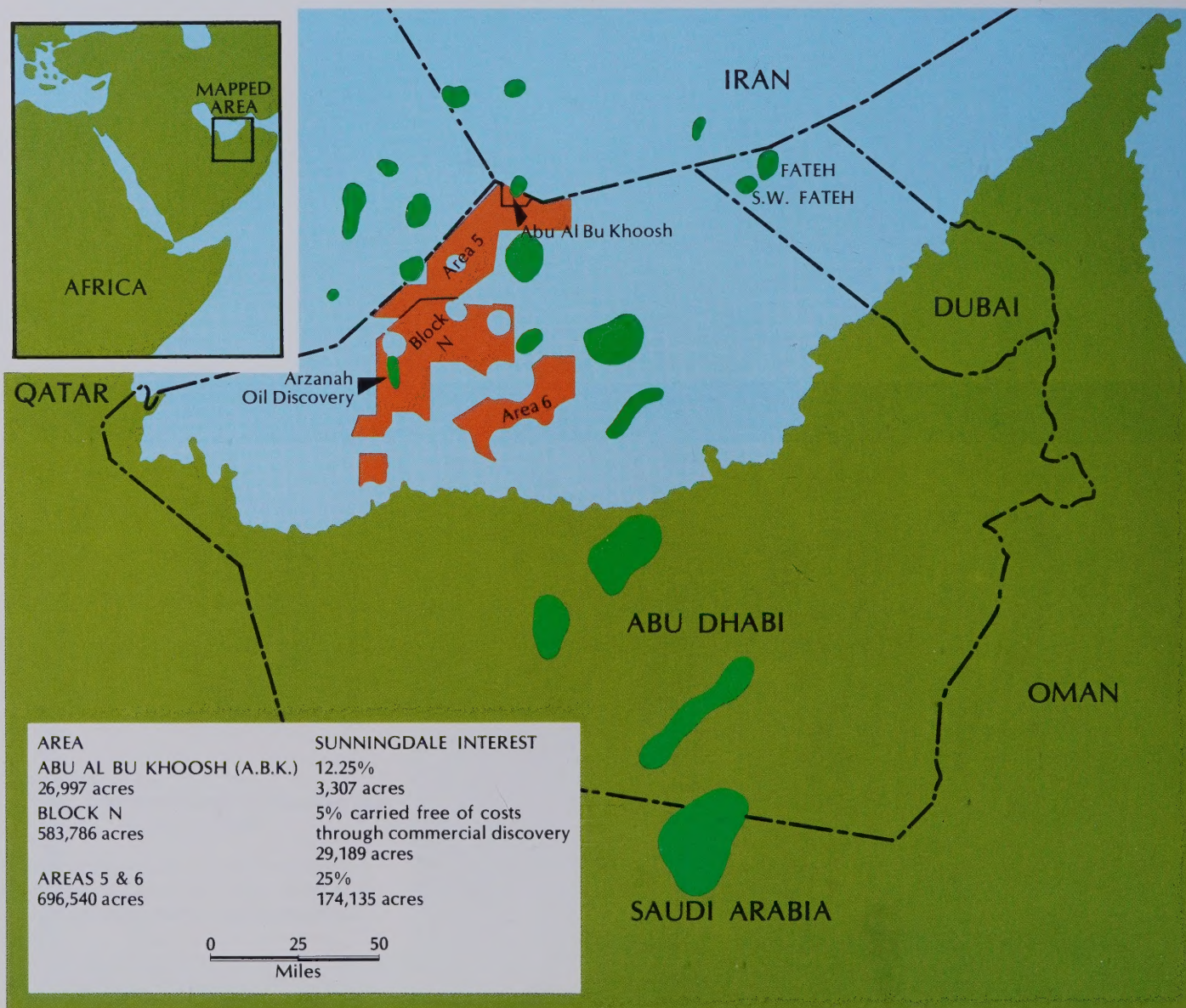
In March, 1974, a 696,540 acre

concession, Areas 5 & 6, was awarded to Sunningdale and its partners. Two seismic programs totalling 1,485 miles were shot. The interpretation disclosed no drillable features and the concession will be relinquished.

BLOCK N

In Block N, Sunningdale has 5% interest carried free of all costs until commercial discovery. The first two wells drilled on the Arzanah struc-

ture each tested in excess of 4,000 barrels per day of high gravity, low sulphur crude. The third well on the structure spudded on November 27th, 1974, 1½ miles north of the discovery well, and tested in excess of 6,800 barrels per day. The three wells have been completed and suspended pending installation of production facilities. The oilfield is small by Middle East standards but a development program is being evaluated and may begin later this year.





Abu Al Bu Khoosh Oilfield, Abu Dhabi



Inauguration of Abu Al Bu Khoosh Oilfield,
December 7, 1974

MALI

Since Sunningdale acquired its 9.5% interest in the Graben de Gao permit in Mali, there has been an increasing level of exploration activity in the Mesozoic basins of West Central Africa, with discoveries in Chad and Niger. The Company and partners have now obtained 500 miles of seismic across this permit. Results are encouraging and plans for further exploration are being formulated.

VIET NAM

Sunningdale is a member of a consortium which was awarded two concessions offshore Viet Nam totalling 3,396,714 acres.

The four thousand miles of seismic previously shot on the two blocks have been evaluated and show the existence of a number of prospective structures. On block 21, Société Nationale des Pétroles d'Aquitaine and Mitsubishi Petroleum Development Co. have joined the consortium and have reimbursed costs incurred to date and agreed to assume the balance of the work commitment for the first three years of the concession period in return for a 35% working interest. Sunningdale's interest is thereby reduced to 16.25%. The Company retains a 25% working interest on block 22.

Drilling on both blocks was scheduled for this summer but after the change of government in Viet Nam, all operators have suspended operations while the Provisional Revolutionary Government considers its policy. Sunningdale and its partners have not yet been informed of their position.

REPUBLIC OF THE MALDIVES

The Republic of the Maldives consists of numerous coral atolls forming a large archipelago in the Indian Ocean, west of Sri Lanka. The Sunningdale joint venture shot a further 2,300 miles of seismic in 1974 and now has extensive coverage on its concession. This has shown the existence of thick sediments and has delineated a number of large structural and stratigraphic anomalies.

Encouraged by these results the

joint venture joined Mitsubishi Petroleum Development Co. in applying for a concession covering almost 6 million acres in the northern half of the Republic (which was part of the acreage relinquished by Sunningdale and partners in 1972 under the terms of the original Concession Agreement). The application was successful and the joint venture subsequently assigned 10% of their holding in the Central Maldives Central Concession to their Japanese partners. Sunningdale now holds:

Interest	Area	Gross Acres	Net Acres
14.1075%	Central Maldives	14,921,000	2,104,980
7.8375%	Northern Maldives ...	5,952,000	466,488
TOTAL HOLDING:		<u>20,873,000</u>	<u>2,571,468</u>

720 miles of seismic were shot over the Northern Maldives Concession in March 1975. The first well is

expected to spud in early 1976 on the Central Maldives Concession.

DEVELOPMENT, PRODUCTION AND RESERVES

ABU DHABI

Sunningdale has 12.25% equity in the Abu Al Bu Khoosh oilfield offshore Abu Dhabi. Production started on July 21, 1974, at 13,500 barrels per day increasing as more wells were brought on stream to 60,500 barrels per day at April 30, 1975 and to 75,000 barrels per day at July 31, 1975. Development drilling is scheduled to be completed in the third quarter of 1975. Nine wells will then produce an estimated daily average of 80,000 barrels.

Amerada Hess Corporation advanced Sunningdale's share of the development costs of the field. In return Amerada is entitled to take all of Sunningdale's production until the costs have been recovered, which should be during the fourth

quarter of 1975. Thereafter Sunningdale will continue to sell its share of oil to Amerada Hess at international market price.

CANADA

The Company's oil wells in Alberta produced satisfactorily throughout the year. Total production was 62,600 barrels, which is slightly higher than last year's total of 57,500 barrels. The gas field at East Siphon in northeast British Columbia, was brought on stream during the year. At April 30, 1975, it had produced 72,800 thousand cubic feet of gas and is presently producing 1,250 thousand cubic feet per day net to Sunningdale.

DUBAI

For many years industry observers have predicted that the vast quantities of gas and gas liquids flared daily in the Middle East would be commercially exploited. In 1972, Sunningdale headed a group to study available gas and gas liquids markets. A project was formulated to utilize the associated gas from the two oilfields producing offshore Dubai, Fateh and S.W. Fateh. The preliminary feasibility study confirmed the economics of such a project and in March 1974 Sunningdale signed a letter of agreement with the Ruler of Dubai. A more detailed study was completed in August 1974 and, on February 8, 1975, a formal LPG Project Agreement was signed by His Highness Shaihk Rashid Bin Said Al Maktoum, Ruler of Dubai, and Sunningdale Oils (Dubai) Ltd., a wholly-owned subsidiary of Sunningdale.

This Agreement provides Sunningdale with the right to take delivery of, gather, process, store and transport all associated and non-associated gas in the Fateh, S.W. Fateh and Rashid fields. The

Agreement is for a term of 15 years following Commencement Date (the date on which continuous product can be delivered). The first phase of the project will be to gather and process associated gas from the Fateh and S.W. Fateh fields. The gas will be transported by pipeline approximately 60 miles to the Dubai mainland where the natural gas liquids will be removed in an LPG processing plant. Dry gas will be delivered to the Dubai Government for domestic consumption and the recovered liquids will be sold and exported to world markets.

Sunningdale has invited C. Itoh Energy Development Company (CIECO), a subsidiary of C. Itoh & Co., to become a partner in the project. A letter of intent to proceed to a joint venture agreement was executed by Sunningdale and CIECO on April 12, 1975 wherein CIECO would purchase, at world market price, all the natural gas liquids produced and available to the Sunningdale interest. A decision with respect to the joint venture will be made before the end of 1975.

MANAGEMENT

Lawrence H. Payne, Vice President, has become General Manager of the Sunningdale office in London. He is responsible for exploration and production operations in Europe, Africa and the Middle East. E. M. Braithwaite has been appointed Vice President and Manager of Canadian operations.

The following appointments were made to Sunningdale Oils (Dubai) Ltd.: William N. Kuhn was appointed Vice President and General Manager, Ray W. Temple was appointed Vice President and Manager of Operations, and Robert P. McBean was appointed Vice President.

An office has been established in Abu Dhabi under the direction of the General Manager, Norman A. Mackenzie.

PROVEN RESERVES

(net before royalty)

OIL AND CONDENSATE

(barrels)

CANADA	2,030,000
OVERSEAS	<u>21,310,000</u>
TOTAL	<u><u>23,340,000</u></u>

NATURAL GAS

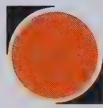
(Billion cubic feet)

CANADA	9.9
OVERSEAS	<u>71.7</u>
TOTAL	<u><u>81.6</u></u>

The Company has in addition substantial probable and possible oil and gas reserves in the Brae field, North Sea, in the Abu Al Bu Khoosh and Arzanah fields, Abu Dhabi and in various properties in Canada.

BOARD OF DIRECTORS

Mr. David R. Nussbaum did not stand for re-election to the Board of Directors at the last Annual Meeting. Mr. Nussbaum's services to the Company particularly during the initial and second corporate financings were most valuable. His efforts are gratefully acknowledged.



SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

APRIL 30, 1975

Assets

CURRENT ASSETS

Cash	\$ 175,810	\$ 3,555,767
Accounts receivable	478,814	902,592
Prepaid expenses and deposits	73,701	110,902
	<u>728,325</u>	<u>4,569,261</u>
FIXED ASSETS (notes 1 and 2)	19,254,579	5,640,244
	<u>\$19,982,904</u>	<u>\$10,209,505</u>

Liabilities

CURRENT LIABILITIES

Bank indebtedness	\$ 901,931	\$ —
Accounts payable and accrued liabilities	3,657,991	715,805
	<u>4,559,922</u>	<u>715,805</u>
DEVELOPMENT ADVANCES (note 1(c))	<u>4,345,819</u>	<u>—</u>

Shareholders' Equity

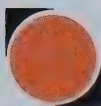
CAPITAL STOCK (note 3)

Authorized		
5,000,000 common shares without nominal or par value		
Issued		
4,058,000 shares	13,151,199	13,151,199
DEFICIT	<u>2,074,036</u>	<u>3,657,499</u>
	<u>11,077,163</u>	<u>9,493,700</u>
	<u>\$19,982,904</u>	<u>\$10,209,505</u>

Approved by the Board

Howard Stuart McColl, Director

James Simpson Palmer, Director



SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

YEAR ENDED APRIL 30, 1975

	<u>1975</u> (note 1)	<u>1974</u>
REVENUE		
Oil and gas	\$14,657,427	\$ 207,347
Interest	141,699	212,196
Gain on sale of properties	293,407	—
	<u>15,092,533</u>	<u>419,543</u>
EXPENSES		
Production expense	1,811,054	105,872
Exploration expense	2,123,886	1,471,682
Dry hole costs	289,105	195,241
Property write downs and surrenders	814,135	51,879
General and administrative	421,040	341,694
Depletion and depreciation	835,506	25,886
Interest	769,474	—
	<u>7,064,200</u>	<u>2,192,254</u>
EARNINGS (LOSS) BEFORE INCOME TAX	8,028,333	(1,772,711)
Income taxes	6,444,870	—
NET EARNINGS (LOSS)	1,583,463	(1,772,711)
Deficit at beginning of year	3,657,499	1,884,788
DEFICIT AT END OF YEAR	<u>\$ 2,074,036</u>	<u>\$3,657,499</u>
EARNINGS (LOSS) PER SHARE	<u>\$.39</u>	<u>\$(.46)</u>



SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED APRIL 30, 1975

	<u>1975</u>	<u>1974</u>
SOURCE OF WORKING CAPITAL		
From operations	\$ 2,946,560	\$ —
Development advances	9,723,129	—
Proceeds on sale of properties	300,000	—
Issue of shares	—	5,028,839
Capital expenditures recovered	—	461,269
	<u>12,969,689</u>	<u>5,490,108</u>
APPLICATION OF WORKING CAPITAL		
In operations	—	1,702,176
Fixed assets	15,277,432	1,177,339
Repayment of development advances	5,377,310	—
	<u>20,654,742</u>	<u>2,879,515</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(7,685,053)	2,610,593
Working capital at beginning of year	<u>3,853,456</u>	<u>1,242,863</u>
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	<u>\$(3,831,597)</u>	<u>\$3,853,456</u>

AUDITORS' REPORT

To the Shareholders of
Sunningdale Oils Limited

We have examined the consolidated balance sheet of Sunningdale Oils Limited as at April 30, 1975 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 30, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Canada
July 11, 1975

(signed) THORNE RIDDELL & CO.
Chartered Accountants



SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 1975

NOTE 1 ACCOUNTING POLICIES

a) Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned.

b) Fixed Assets

The companies follow the policy of charging exploration expenses and carrying charges of properties to income as incurred. Lease and other property acquisition costs are capitalized and are charged to earnings if the property is subsequently abandoned. The costs of drilling productive wells are capitalized and costs of unproductive wells are charged to earnings when determined to be dry. The costs of producing leases and producing wells are depleted using the unit of production method based on estimated recoverable quantities of oil and gas as determined by Company engineers.

c) Carried Interests

The Company follows the method of accounting for carried interests by which it reflects in its accounts its share of the property and development costs and the related liability, and its share of the operating revenues and expenses, when it has reasonable assurance that payout will occur.

During the year, the Company implemented this policy with respect to a certain carried interest. This had the effect of increasing the following accounts for 1975:

Oil and gas revenue	\$14,287,015
Production expense	1,707,674
Interest expense	757,161
Depletion and depreciation	773,676
Income taxes	6,444,870
Fixed assets	9,723,129
Development advances	4,345,819

Development advances are repayable from future production proceeds and, accordingly, the Company's share of production from the related carried interest will continue to be applied against this account until it is fully paid.

d) Income Taxes

The Company follows the tax allocation method of accounting under which the income tax provision is based on the income reported in the accounts. Under this method the Company will provide for deferred income taxes to the extent that income taxes otherwise payable are reduced by claiming exploration and development costs and capital cost allowances in excess of the depletion and depreciation provisions reflected in its accounts.

Total income tax expense for 1975 is more than the tax which would result from applying the Canadian Federal tax rate (before deductions of abatements for provincial income tax and oil and gas income) to income before income taxes. The reasons for the difference are as follows:

	Amount (,000)	% of Earnings Before Income Taxes
Tax based on Canadian Federal tax rate	\$4,014	50%
Losses not deductible for tax purposes	1,845	23%
Tax exigible in foreign jurisdictions in excess of Canadian taxes	586	7%
Actual tax expense	<u>\$6,445</u>	<u>80%</u>

e) Foreign Exchange

Amounts in foreign currency are converted to Canadian dollars on the following basis:

- i) Current assets and current liabilities, at the rate of exchange in effect as at the balance sheet date;
- ii) Fixed assets, at the rate of exchange at the date on which the assets were acquired; and
- iii) Revenue and expenses, at the rate of exchange on the date of the transaction.

f) Change in Account Classification

Certain 1974 expense accounts have been reclassified in conformity with 1975 classifications.

NOTE 2 FIXED ASSETS

	<u>1975</u>			<u>1974</u>
	<u>Cost</u>	<u>Accumulated Depreciation and Amortization</u>	<u>Net</u>	<u>Net</u>
Petroleum and natural gas leases and rights including equipment and development thereon				
Producing — Canada	\$ 1,214,003	\$ 89,745	\$ 1,124,258	\$ 562,155
— Foreign	9,723,129	758,405	8,964,724	—
Non-producing — Canada	1,088,317	—	1,088,317	1,066,629
— Foreign	4,343,736	—	4,343,736	3,979,964
Gas Processing plant under construction (note 4)	3,614,531	—	3,614,531	—
Furniture and equipment	158,492	39,479	119,013	31,496
	<u>\$20,142,208</u>	<u>\$887,629</u>	<u>\$19,254,579</u>	<u>\$5,640,244</u>

NOTE 3 CAPITAL STOCK

As at April 30, 1975 options and warrants to purchase 147,000 common shares of the Company's capital stock were outstanding at prices ranging from \$2.60 to \$8.45, exercisable at various dates to April, 1980.

NOTE 4 COMMITMENTS AND CONTINGENT LIABILITIES

A wholly-owned subsidiary has contracted for the construction of a gas processing plant and related facilities. The estimated cost of the project is \$150 million.

In addition, the Company estimates that its share of the costs of performing its work commitments under exploration and production permits and licenses, together with the costs of completing its exploration programs as presently planned, is approximately \$5.2 million.

The Company has guaranteed the obligations of an exploration partner to the extent of approximately \$662,000.

NOTE 5 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year the Company paid \$195,000 (1974 — \$184,000) to its directors and senior officers.

NOTE 6 SUBSEQUENT EVENTS

Subsequent to April 30, 1975, the Company arranged for an additional line of credit of \$6.8 million.



SUNNINGDALE OILS LIMITED

AND SUBSIDIARY COMPANIES

FOUR YEAR FINANCIAL AND OPERATING REVIEW

	1975	1974	1973	1972
OPERATING RESULTS:				
Revenue	\$15,092,533	\$ 419,543	\$ 337,846	\$ 95,495
Cash flow from (applied to) Operations	\$ 2,946,560	(\$1,702,176)	(\$ 877,754)	(\$ 705,267)
Per Share	\$.73	(\$.42)	(\$.26)	(\$.28)
Net Earnings (Loss)	\$ 1,583,463	(\$ 1,772,711)	(\$ 952,073)	(\$ 872,043)
Per Share	\$.39	(\$.46)	(\$.28)	(\$.35)
BALANCE SHEET:				
Working Capital (Deficiency)	(\$ 3,831,597)	\$3,853,456	\$1,242,863	\$ 820,306
Shares outstanding	4,058,000	4,058,000	3,490,000	2,610,000
Shareholders Equity	11,077,163	9,493,700	6,237,572	4,632,103
DRILLING ACTIVITY:				
Canadian — gross wells drilled	23	29	6	5
— Oil/Gas	12	14	3	3
Overseas — gross wells drilled	11	3	1	1
— Oil/Gas	10	3	1	0
PROVEN RESERVES:				
Oil and Condensate (Million Bbl.)	23.34	19.15	1.8	1.6
Gas (Billion CF)	81.6	60.7	6.45	2.0
PRODUCTION:				
Oil (Bbl.)	1,681,798	57,651	56,588	4,000
Gas (Million CF)	72.8	—	—	—
PRODUCTION REVENUE:	\$14,657,427	\$ 207,347	\$ 158,684	\$ 12,416



SUNNINGDALE OILS LIMITED